

MEMORANDUM FOR: Mr. Dulles:

A copy of this letter and enclosure has already been sent to Bob Amory for his information and necessary action.

Attached is a memorandum from Otto Guthe and a copy of your 8 April letter to Mr. Rathbone.

AAB
26 May 61
(DATE)

68-2057/b

8 APR 1961

✓
cand
Mr. M. J. Rathbone, President
Standard Oil Company
30 Rockefeller Plaza
New York 20, New York

Dear Mr. Rathbone:

I recently promised to have our people comment on your company's study, "Strategy for Meeting the Threat of Soviet Oil" and this letter expresses their views. I am pleased to state that we are in general agreement with the substance of the study as it concerns the historical development and current trends in the Soviet oil industry. We do, however, have some observations to make about the future capabilities of the USSR.

We estimate that Soviet crude oil output in 1965 will be somewhat higher than indicated in your company's study. It appears that the official Soviet plan to produce 4.2 million barrels per day will be exceeded and that crude output probably will be closer to 5.3 million barrels per day in 1965. We believe that by 1965, the Soviet pipeline system (including the Kladno branch of the ODKOM system) will be developed to a point where internal transportation facilities will not seriously limit petroleum exports. With the probable increased production and improved transportation indicated, we estimate that the Soviets will be capable of exporting as much as a million barrels per day to the Free World by 1965, rather than after 1965.

We agree with the thesis that the USSR is going to be a long-term competitor in the world oil market. This view is supported by:

1. recent negotiations for imports of large diameter steel pipe which have been concluded with Italy, Sweden, England, and West Germany;
2. negotiations currently under way with Japan for additional quantities of large diameter steel pipe;

(EXECUTIVE SUMMARY)

3. increased tanker purchases from Free World countries;
4. firm indications of a cut-back in the planned installation of gas pipelines this year;
5. plans for a new large diameter pipeline from the Urals-Volga oilfields to Leningrad -- a line which might carry as much as 10 million tons for export to the West; and
6. sharp upward revision in the planned annual rate of construction of oil pipelines.

While your estimates of Soviet petroleum costs seem reasonable, we do not believe that crude oil costs per se, whether calculated in ruble or dollar terms, are necessarily very helpful in determining the likely future volume of Soviet FOI to be offered to the Free World, particularly to Western Europe. An important additional consideration would be the alternatives open to the USSR -- what Soviet commodities, other than petroleum, would find large enough markets in Western Europe to pay for the relatively large volume of Soviet imports of machinery? Our initial estimate is that industrial raw materials would constitute the most likely replacement group; however, Soviet production costs for many such raw materials are relatively higher than for petroleum.

Your study implies that Soviet pricing policies also are exceedingly complex, and we concur. We believe, however, that the Soviets are hard-headed enough to want all the foreign exchange (or capital equipment) they can possibly get in return for their oil, particularly from Western Europe and Japan. It seems likely that once they are established in a market they will try to obtain the highest price possible -- a practice previously followed in Soviet sales of aluminum and tin to the Free World.

We were interested to see the various possibilities that your study considers for meeting the Soviet oil threat although we are not a policy agency and therefore have not critically reviewed this part of your study. Two problems which my people believe may have a direct bearing on this problem are: first, whether the estimated million barrels per day of Soviet oil which may be available to the Free World in 1965 could actually be marketed and, if so, where; and second, whether the quality characteristics of the Urals-Volga crudes are likely to impose restrictions on the quantities marketable in the Free World. Your market analysts and technicians, I am sure, are in a better position to answer these questions than we are.

My people have previously had some informal discussions regarding the Soviet oil position with Mr. George T. Flacey of your Agency and are available for further discussions as may seem desirable. For your information, I have asked them to make available, through our New York office, some of our more current reports on various aspects of the Soviet oil pipeline situation. I am sure you will find them of interest.

Sincerely,

SIGNED

Allen W. Dulles
Director

Distribution:

Orig. & 1 - Addressee

- ~~1~~ - DCI *See heading*
- 1 - DDCI
- 2 - DD/I *W/DCI*
- 1 - AD/O
- 2 - AD/RR
- 1 - Ch/E
- 1 - Ch/D/M

ORR:Och
Retyped

11 1961)

(5 April 61)

STAT

APPROVED:

Deputy Director/Intelligence

APR 6
1961

UNCLASSIFIED		CONFIDENTIAL		SECRET	
CENTRAL INTELLIGENCE AGENCY OFFICIAL ROUTING SLIP					
TO	NAME AND ADDRESS		INITIALS	DATE	
1	Mr. Amory, DD/I		<i>Amory</i>	MAR 29 1961	
2	<i>AD/PR</i>		<i>Amory</i>	5 Apr 61	
3	<i>DD/I</i>		<i>Amory</i>	6 Apr.	
4	<i>DCI</i> [Redacted]			7 Apr	
5					
6			STAT		
ACTION		DIRECT REPLY		PREPARE REPLY	
APPROVAL		DISPATCH		RECOMMENDATION	
COMMENT		FILE		RETURN	
CONCURRENCE		INFORMATION		SIGNATURE	

Remarks:

Bob: The Director said he would appreciate your looking this over and preparing another letter for his signature in which you can incorporate a few appropriate comments for him to make on this study.

1-2 - Looks like a very good paper to me. Will you draft letter for DCI signature.

2-3 Draft reply attached.

FOLD HERE TO RETURN TO SENDER

ADDRESS AND PHONE NO.		DATE
to the DCI		

Executive Registry
61-20371

5 - APR 1961

MEMORANDUM FOR: Director of Central Intelligence

THROUGH: Deputy Director/Intelligence *nah*

SUBJECT: Comments on Standard Oil Company (New Jersey) Study, "Strategy for Meeting the Threat of Soviet Oil"

REFERENCES: (a) Letter from Mr. Rathbone, President, Standard Oil Co. (N. J.) to the DCI, dated 13 March 1961, with subject study attached

(b) Letter from the DCI to Mr. Rathbone, dated 25 March 1961

1. This memorandum contains a recommendation for action as set forth in paragraph 4.

2. You promised Mr. Rathbone, in reference (b), some comments on the study prepared by the Standard Oil Company (New Jersey), "Strategy for Meeting the Threat of Soviet Oil." This study was sent to you as an attachment to reference (a), on 13 March 1961.

3. The attached letter to Mr. Rathbone comments favorably on his Company's study, points out that its estimates of the likely volume of Soviet petroleum exports in 1965 may be low, and, in accordance with established procedures, offers help on the pipeline section of the study by making available some of our more recent reports.

4. It is recommended that the attached letter be signed.



OTTO E. GUTHE
Assistant Director
Research and Reports

Enclosure:

Letter to Mr. Rathbone

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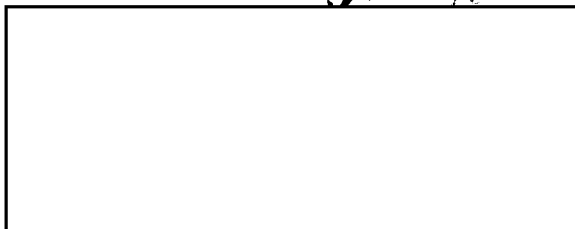
Approved For Release 2002/08/21 : CIA-RDP80B01676R003500230011-9

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14 APR 1961

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On the occasion of your retirement, I am sending you this personal message in recognition of long and effective service to your Government.

You have served your country loyally and faithfully for more than fifteen years. This period includes service with the National Recovery Administration, Executive Office of the President, Department of State, and the Economic Cooperation Administration as well as with this Agency. You can take just pride in the knowledge that the devotion and perseverance which you have displayed throughout your career have been consistent with the high ideals and traditions of Federal service.

Along with your many friends here in the Agency, I extend best wishes for full enjoyment of the coming years.

Sincerely,

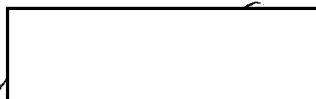
SIGNED

Allen W. Dulles
Director

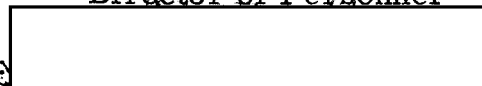
Distribution:

- 2 - Addressee - *Via D/Pers*
- 2 - DCI: 1 - *ER*
- 1 - DDCI
- 1 - C/EAB/SO - *not rec'd O/SO*
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- 1 - BCB Retirement
- 1 - *Approved for Release 2002/08/21 : CIA-RDP80B01676R003500230011-9*

Originator:



Director of Personnel



OP/BSO/

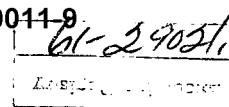
(5 April 1961)

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12 APR 1961

MEMORANDUM FOR: Director of Central Intelligence

SUBJECT: Commendatory Retirement Letter
for [redacted]

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1. Attached for your signature is a commendatory letter for [redacted] who retired from the Agency 7 April 1961 under the optional provisions of the Civil Service Retirement Act.

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2. [redacted] who is sixty-three years old, entered on duty 12 June 1951 with the Office of Personnel and at the time of retirement was Instructor, GS-7, Office of Training. Prior to her Agency service, [redacted] was employed by the National Recovery Administration, Executive Office of the President, Department of State, and the Economic Cooperation Administration. She had over fifteen years of Federal service.

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3. The Office of Training and the Office of Security concur in the writing of this letter.

[redacted signature box]

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Acting Director of Personnel

~~SECRET~~